ECONOMIC COMMENTARY

# Alberta's Merchandise Exports Fell Again in 2016 Because of Lower Oil and Gas Prices

May 1, 2017

**Highlights:**

After a 24% drop in 2015, the value of Alberta's merchandise exports fell by a further 14.6% in 2016 to $78.9 billion as much lower prices for oil and gas led to lower export revenues for oil and gas as well as for the manufacturing sectors that depend on the oil and gas sector.

Alberta Government

In 2016, the value of Alberta's merchandise exports declined by 14.6% from 2015 to $78.9 billion. This followed a steep 24% drop in 2015. Both declines can be traced back to slumping oil and gas prices: export prices of crude oil and natural gas fell 18% and 17%, respectively, in 2016 and have fallen by nearly one-half since 2014. Alberta accounted for 17% of Canadian exports in 2016, down from a 19% share in 2015.

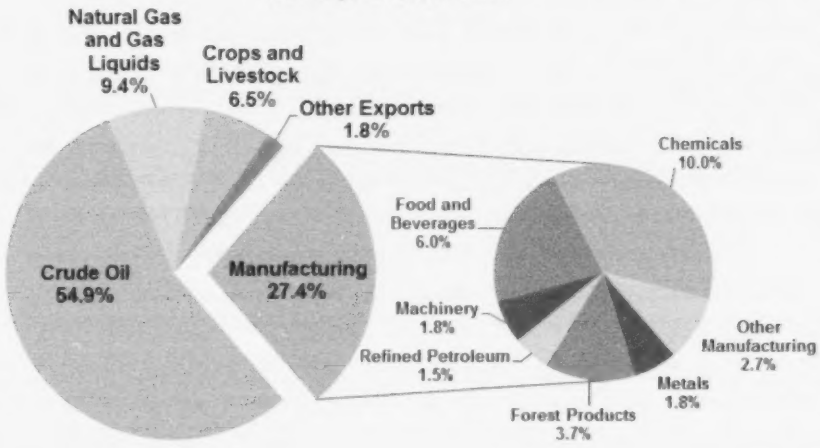
Most of the 2016 decline is a result of sharply lower prices for oil and gas which in turn also impacted a number of manufacturing sectors that depend on the oil and gas sector.

- The value of crude oil exports declined by 17.6% in 2016 to $43.3 billion. Crude oil now account for 54.9% of total Alberta exports, the lowest share in six years but still higher than its shares prior to 2011.
- Exports of natural gas and gas liquids fell 16.8% to a 21-year low of $7.4 billion.
- Manufactured goods' exports dropped 9.3% to $21.6 billion. Even with recent declines manufacturing's share of total exports reached a 12-year high of 27.4%. The largest manufacturing sectors were:
    - Chemical exports fell 3.4% in 2016 as a result of lower prices for most chemical products;
    - Food and beverage exports rose 4.2% to a record $4.7 billion on strong sales growth of canola oil;
    - Forest products exports fell 4.4% as a result of lower prices for wood pulp and lumber;
    - Exports of machinery exports dropped sharply by 41.5% to a 12-year low as sales of oil and gas field machinery plummeted;
- Exports of crops and livestock fell 7.2% to $5.1 billion, because of lower prices and lower export volumes of wheat (including durum wheat).

Although the value of Alberta's exports declined sharply in 2016, this was entirely the result of lower prices, especially for oil and gas. Total export volumes were virtually unchanged in 2016 as sharply lower export volumes of oil and gas field equipment and wheat were offset by increased volumes of chemicals, gas liquids, canola and canola oil and a slight 1.4% rise in crude oil volumes. Excluding oil and

**Export Shares For Alberta's Industries in 2016**

Total Exports $78.8 billion




Sources: Statistics Canada and Alberta Economic Development and Trade

gas commodities Alberta's export volumes declined by about 2% in 2016 while the value of these exports fell 9%.

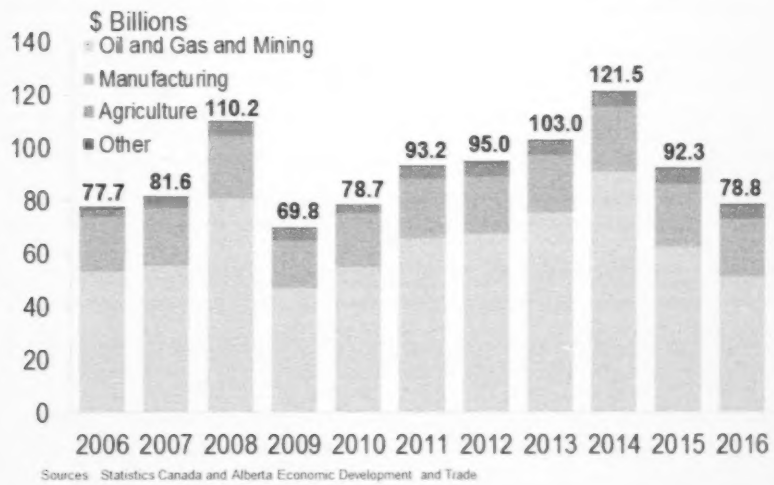
The top 10 export commodities in 2016 were:

- Crude oil: $43.3 billion in 2016; down 17.3% from 2015
- Natural gas and gas liquids: $7.4 billion; down 16.8%
- Polyethylene and other ethylene polymers: $4.1 billion; unchanged from 2015
- Canola: $1.8 billion; up 9.8%
- Wheat (including durum wheat): $1.8 billion; down 25.2%
- Wood pulp: $1.6 billion; down 7.2%
- Beef: $1.5 billion; down 1.5%
- Ethylene glycol: $1.2 billion; down 9.3%
- Refined petroleum oils (such as diesel and gasoline): $878 million; down 27.5%
- Anhydrous ammonia: $690 million; down 8.0%

Between 2006 and 2016, Alberta exports rose 1.5%. Although the export value of crude oil dropped sharply in 2015 and 2016, most of the export growth over the 10-year period was the result of a 61% jump in oil exports, which account for more than one-half of Alberta exports, as crude oil volumes rose 112% between 2006 and 2016.

Exports of natural gas and gas liquids fell 71% during that period as a result of falling prices and volumes. Manufacturing exports grew by 5.7% between 2006 and 2016, and the agricultural sector led all sectors with growth of 64%.

**Alberta's Goods Exports between 2006 and 2016**

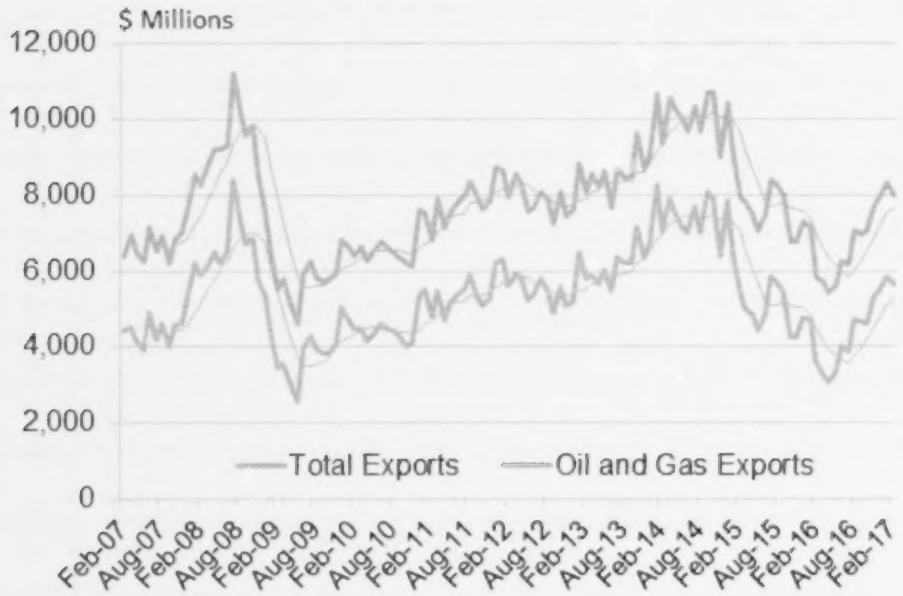


Sources: Statistics Canada and Alberta Economic Development and Trade

On a monthly basis, the value of Alberta exports fell by nearly one-half between December 2014 and April 2016, as prices of oil and gas dropped by 56% during that period. However, exports have increased since then rising from $5.4 billion in April 2016 to $8.0

billion in February 2017 as oil prices rose 56% and gas prices 86%. Exports of commodities other than oil and gas bottomed out in June 2016 and have seen little growth since then.

**Alberta's Oil and Gas Exports are bouncing back**




The outlook for Alberta's exports in 2017 is quite positive (as can also be seen in the above chart). Crude oil prices have risen during the past year and are forecast to remain close to current levels for the remainder of the year and crude oil export volumes are expected to see strong growth this year as oil sands production continues to surge. Prices for natural gas and gas liquids are higher this year. Export volumes of natural gas are expected to remain weak but volumes of gas liquids have surged so far this year. Higher oil prices are also having a positive impact on export prices of refinery products, such as gasoline and diesel fuel. Exports of oil and gas field machinery and equipment have not shown any growth yet this year but may see growth later this year because of higher levels of drilling activity in the U.S. Export volumes of lumber, canola and canola oil have also risen sharply so far this year.

The U.S. economy, which accounted for 86% of Alberta's 2016 exports, is expected to see stronger growth this year than in 2016, which in turn should benefit those Alberta sectors that don't depend on the oil and gas sector. The weak Canadian dollar benefits many Alberta exporters as they are now in a better position to compete in the U.S. market.